

106TH CONGRESS  
1ST SESSION

# H. R. 440

To make technical corrections to the Microloan Program.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1999

Mr. TALENT (for himself, Ms. VELÁZQUEZ, Mr. PASCRELL, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Small Business

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## A BILL

To make technical corrections to the Microloan Program.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the“Microloan Program  
5       Technical Corrections Act of 1999”.

6       **SEC. 2. TECHNICAL CORRECTIONS.**

7       Section 7(m) of the Small Business Act (15 U.S.C.  
8       636(m)) is amended—

9               (1) by amending paragraph (7)(B) to read as  
10       follows:

1           “(B) AVAILABILITY OF FUNDS.—Subject  
 2           to appropriations, the Administration shall en-  
 3           sure that at least \$800,000 of new loan funds  
 4           are available for each State in any fiscal year.  
 5           All funds are to be made available subject to  
 6           approval of the Administration. If, at the begin-  
 7           ning of the third quarter of a fiscal year, the  
 8           Administration determines that the funds nec-  
 9           essary to comply with this provision are unlikely  
 10          to be awarded that year, the Administration  
 11          may make those funds available to any State or  
 12          intermediary.”; and

13          (2) in paragraph (8)—

14                 (A) by inserting “and providing funding to  
 15                 intermediaries” after “program applicants”;  
 16                 and

17                 (B) by inserting “and provide funding to”  
 18                 after “shall select”.

19 **SEC. 3. LOAN LOSS RESERVE.**

20          Section 7(m)(3)(D) of the Small Business Act (15  
 21 U.S.C. 636(m)(3)(D)) is amended to read as follows:

22                 “(D)(i) IN GENERAL.—The Administrator  
 23                 shall, by regulation, require each intermediary  
 24                 to establish a loan loss reserve fund, and to  
 25                 maintain such reserve fund until all obligations

owed to the Administration under this subsection are repaid.

“(ii) LEVEL OF LOAN LOSS RESERVE FUND.—

“(I) Subject to subclause (III), the Administration shall require the loan loss reserve fund of an intermediary to be maintained at a level equal to 15 percent of the outstanding balance of the notes receivable owed to the intermediary.

“(II) REVIEW OF LOAN LOSS.—After the initial 5 years of each intermediary’s participation in the program authorized by this subsection, the Administrator shall, at the request of the intermediary, conduct a review of the annual loss rate of each intermediary. Any intermediary in operation under this subsection prior to October 1, 1994 that requests a reduction in its loan loss reserve shall be reviewed based on the most recent five year period preceding the request.

“(III) REDUCTION OF THE LOAN LOSS RESERVE.—Subject to the requirements of this subclause the Administrator

1 may reduce the annual loan loss reserve re-  
2 quirement to reflect the actual average  
3 loan loss rate for the intermediary during  
4 the preceding five year period, except that  
5 in no case shall the loan loss reserve be re-  
6 duced to less than 10 percent of the out-  
7 standing balance of the notes receivable  
8 owed to the intermediary.

9 “A reduction may be allowed only if  
10 the intermediary demonstrates to the satis-  
11 faction of the Administrator that—

12 “(aa) the average annual loss  
13 rate for the intermediary during the  
14 preceding 5 year period is less than  
15 15 percent; and

16 “(bb) that no other factors exist  
17 that may impair the ability of the  
18 intermediary to repay all obligations  
19 owed to the Administration under this  
20 subsection.”.

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